App. F. IX-4

Previous References 1934:35 (501

File No. 33/34
Serial Nos 6

Later References.

GENERAL AND REVENUE SECRETARIAT.

Serial Nos 6

Part B for January 1935-

SUBJECT.

Copy of the Report of the Proceedings of the Committee of Ministers of Indian States which met in Bombay in December 1934.

WD 01965—GPB—15,000—7-7-34

General and Revenue Secretariat | File No. | of 193

Serial No. CS. 33-84-6

A Copy of the Report of the Committee of ministers which met in Bombay on the 12th December 1934, just received from Sir Akbar Hydari is enclosed herewith for perusal. The report is full & explanatory. It was decided to meet again some time in January to examine the Bill which is expected to be published on the 22nd [illegible]

Dewan

with compliments

Yours

28/[illegible]

To be submitted for His Highness' perusal.

MI

28-12-34

Submitted to His Highness.

I submit herewith, for His Highness's gracious perusal, a copy of the Report of the Proceedings of the Committee of Ministers of Indian States which met in Bombay in the second week of the current month.

An important decision reached at the meeting was about the constitution of a compact Council of Ministers to discuss matters of common concern, its composition and functions and its relations with the States.

The question of the attitude which the States should adopt as a body towards the proposed new constitution for India was reserved for a detailed examination, pending the publication of the draft Government of India Bill.

Mirza M. Ismail

Bangalore,
28th December 1934.

DEWAN.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Report of the Proceedings of th
Committee of Ministers of Indian State
which met in Bombay in December 1934.

Order.

352

~~KRW~~

31/12/34

CB. 1080.

General and Revenue
Secretariat

SUBJECT:- Report of the Proceedings of the Committee of Ministers of Indian States which met in Bombay in December 1934.

Circulated to Members of Council for perusal of His Highness' orders before/after issue of orders. (*) (*Vide Rules* 31, 33 and 34 of the Subsidiary Rules for the conduct of business of Council in the Manual of Council Rules and Procedure.)

R. Tarporevala

Chief Secretary to Government.

Through the Secretary to Government,

.....Department.

FIRST MEMBER OF COUNCIL. 17/1

SECOND MEMBER OF COUNCIL.

3/1/35

CB.

18/1/35

(*)

31. All urgent or confidential files returned with His Highness' orders may in the absence of instructions or indications to the contrary, be ordinarily circulated to the Members of Council for perusal after the issue of orders.

33. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after to the Chief Secretary for circulation to the Members.

34. In all other cases, the files will first be circulated to the Members of Council at Head-quarters and then sent to the Secretariat concerned for the issue of orders.

5234
16/1

45'97
3/1/35

NOTE.—Contn. sheet.

B.

Confidential

Report of Proceedings

Committee of States' Ministers

Bombay,

12*th*, 13*th* & 14*th December*, 1934

BOMBAY,

Wednesday, the 12th December, 1934.

In accordance with the decision of the Bombay Conference last May, the following States' Ministers were present at the informal meeting held at the Imperial Bank of India Board Room on Wednesday, the 12th December, 1934:—

1. Mr. A. ABBASI (*Bhopal*) representing Mr. Shuaib Quraishi.
2. Pandit Amarnath ATAL (*Jaipur*).
3. Sir Akbar HYDARI (*Hyderabad*).
4. R. C. KAK (*Kashmir*) representing Col. Colvin.
5. Sir Liaqat Hyat KHAN (*Patiala*).
6. Sir Manubhai MEHTA (*Bikanir*).
7. Mr. K. M. PANIKKAR.
8. Sir Prabhashankar PATTANI (*Bhavnagar*).
9. Mr. Parameswaram PILLAI (*Travancore*) representing Sir C. P. Ramaswamy Ayyar.
10. Mr. S. P. RAJAGOPALACHARI (*Mysore*) representing Sir Mirza Ismail.
11. Colonel Shivraj SINGH (*Baroda*) representing Sir V. T. Krishnamachari.
12. Rai Bahadur SURVE (*Kolhapur*).

SIR AKBAR HYDARI was voted to the Chair.

1. The Chairman read out a letter received from His Highness the Maharajah of Bikanir, and the Committee resolved to authorise the Chairman to send an acknowledgment in suitable terms.* His Highness' Memorandum on the Reform and Reorganisation of the Chamber of Princes and a copy of his covering letter to His Highness the Chancellor, dated the 9th December, were circulated and recorded. *Annexure

2. Copies of Mr. Ramachander Rao's Open letter, received by Sir Akbar Hydari, were distributed to all the members of the Committee and his covering letter read out.* *Annexure

3. The Chairman informed the Committee that he had received intimations from Sir Mirza Ismail, Colonel Colvin, Sir V. T. Krishnamachari, Sir C. P. Ramaswamy Ayyar and Mr. Shuaib Quraishi that they would not be able to attend in person but would be represented at the meeting. Sir Kailas Narain Haksar had also wired his inability to attend. The Chairman also informed the members that Sir Govind Madgaokar had written that he could not attend as he had retired from the Indore State service, while Dr. P. K. Sen of Mayurbhunj could

not be present owing to his absence from India. Dr. Sen had written to the Chairman some time back objecting to participation in the Committee's work as, according to newspaper reports, he had been classed as representing the non-salute States. He had, however, finally agreed to join if this mistake was corrected. No reply had been received from Dewan Bahadur D. K. Sen of Mandi. Mr. Panikkar had been invited to join in view of his experience.

4. It was agreed that the Secretariat should be maintained under the direction of Sir Akbar Hydari by Mirza Ali Yar Khan.

5. The question was discussed as to whether any person could represent an absentee member. The Chairman pointed out that it was decided at the Bombay Conference in May last that Ministers would be selected mainly for their personal qualifications, and it was because of this that he had consulted the members before inviting Sir Muhammad Habibullah, as suggested by Sir C. P. Ramaswamy Ayyar. In view of the fact, however, that the selected list incidentally represented the main groups of States, it was agreed that, while the Ministers selected should as far as possible be present in person, there would be no objection to their being suitably represented when absent unavoidably.

6. The Chairman informed the Committee that a telegram had been received from His Highness the Raja of Sangli requesting that the Committee might co-opt Rao Sahib Thombore in view of the momentous issues to be discussed. Mr. Panikkar pointed out that His Highness the Chancellor of the Chamber of Princes had also received several requests of a like nature but had replied in the negative. It was, however, agreed that, as Rao Saheb Thombore had been present at the constitutional discussions in London, his presence might be of assistance to the Committee at its present session and that therefore a wire might be sent to His Highness the Raja of Sangli intimating the Commtitee's willingness to co-opt Rao Saheb Thombore.* *Annexure C.

7. It was agreed that members should not give any information regarding the proceedings either directly or indirectly to the Press. A summary of the proceedings would be issued daily by the Secretary (in consultation with the Chairman) in the form of a Press Communique.

8. The resolution passed at the Bombay Conference in May last, defining the objects of the present informal meeting, was then read out. These were as follows:—

(*a*) To ensure the active co-operation of the Indian States *inter se* and for that purpose to devise such schemes as may be considered desirable in order to improve the organisation and working of the Chamber of Princes and consider such other or additional proposals for enabling all the States to act together in regard to the problems affecting them, and

(*b*) to consider the Report, when issued, of the Joint Parliamentary Committee and formulate recommendations.

The Committee proceeded to discuss clause (*a*) as above.

I

Constitution of a Council of Ministers.

9. *The Committee was unanimous that there was need for a Council of Ministers, apart from any other organisation of the Princes, particularly as it would make joint deliberations possible between States participating in the Chamber of Princes and States which do not do so.*

Composition of the Council.

10. The Committee then proceeded to consider the number comprising the Council, and the Council's composition and method of election.

(*a*) The proposals of His Highness the Nawab of Bhopal were first considered. These were for a Council of 30 members, composed as follows:—

> Individual seats to States enjoying plurality of votes in the Upper House, ten seats for the remaining States regionally grouped and three seats for the Representative Members of the Chamber.

(*b*) Sir Manubhai Mehta was in favour of a Council of 24 Ministers, selected on the following lines:—

> Seventeen individual seats to the 17 States enjoying plurality of votes in the Upper House, the seven remaining members to be elected by the Chamber of Princes or the proposed Council of Princes from among the remaining States on the basis of regional grouping.

Sir Manubhai Mehta pointed out that Kalat was excluded from this calculation as it was not a member of the Chamber of Princes.

(*c*) Sir Liaqat Hyat Khan proposed the same figure but on a different basis: he suggested the allocation of individual seats to States enjoying a Salute of 15 guns and over and having, besides, a population of 5 lakhs or more (according to the Census of 1931) and a revenue of 50 lakhs or more (according to the Government of India Memorandum of 1930), the 17 and the 15-gun States, not coming within this category, to elect one and two members respectively, while the 13, 11 and 9-gun States would each elect one member from their groups.

(*d*) Mr. Panikkar identified himself with Sir Liaqat Hyat Khan's proposal.

(*e*) Mr. Rajagopalachari favoured a medium-sized Council of not less than 20 and not more than 24. He urged that the number should be small but not so small as to be open to the charge of not being representative of the important interests concerned.

(*f*) Rai Bahadur Surve in general agreed with Sir Liaqat Hyat Khan's proposal.

(*g*) Mr. Parameswaram Pillai stated his preference for a Council of 15 or 20 members. He was, however, opposed to Salutes being the only criterion of selection and urged that sufficient regard should also be paid to population and federal content as factors essential for deciding the composition of the Council. Mr. Rajagopalachari desired to be also associated with this view.

(*h*) Mr. Kak was entirely opposed to the idea of a large Council and, while admitting that he had not worked out the

necessary details in support of his ideas, urged the advisability of limiting the number to 12 or at the most 15. He made it clear that this was his personal view which he thought was also likely to find favour with his Government.

(*i*) Sir Prabhashankar Pattani proposed a Council on the basis of individual representation to States (excluding Kalat) enjoying undivided seats in both the Houses. This would work out to 33 permanent seats in addition to whatever seats might be allotted to the States left out.

(*j*) Pandit Amarnath Atal was in favour of giving individual seats to States enjoying plurality of votes in the Upper House (again excluding Kalat). He suggested that 7 or 8 seats should be given to the remaining States, the election to be either by the Standing Committee of the Chamber of Princes or by the Chamber itself or by the proposed Council of Princes. The election should, however, in no case lead to two seats being given to any one region or every region being necessarily allotted a seat.

(*k*) Mr. Abbasi identified himself with the proposals of His Highness the Nawab of Bhopal for a Council of 30 as indicated above.

(*l*) Colonel Shivraj Singh reserved his opinion in view of the fact that he had had no time to consult the views of Sir V. T. Krishnama Chari on this subject.

(*m*) Sir Akbar Hydari, in summarising the alternative schemes proposed, pointed out on the lines of his statement at the Bombay Conference in May last that his preference for a small Council of between 12 and 15 still continued in view of his conviction that large numbers would come in the way of the efficient working of the Council and make it difficult of assembly. His proposals were based mainly on an exclusion of the Salute factor, even as far as some of the 21-gun States were concerned, and the extension of the principle of grouping even to States enjoying plurality of votes in the Upper House. In connection with the views expressed by Mr. Rajagopalachari and Mr. Parameswaram Pillai, that due regard should be paid to the factors of population and Federal content of States, Sir Akbar Hydari pointed out that one way of giving effect to these views would be to limit individual representation on the Council to States enjoying plurality of votes in *both* the Houses, giving six seats to the remaining States which would be regionally grouped.

(*n*) Sir Manubhai Mehta agreed, in the light of the above discussions, to accept Sir Liaqat Hyat's formula.

Ultimately, in view of Sir Prabhashankar Pattani's suggestion and the discussion that preceded and followed it, Sir Liaqat Hyat Khan proposed a revised formula as follows:—

> *States having individual representation in both the Houses, a population of 5 lakhs or more and a revenue of 50 lakhs or more, to enjoy individual representation, the 17 and the 15-gun States excluded from this category to each elect one and two representatives respectively, while the 13-gun States, and the 11 and 9-gun States would each elect one representative from their respective groups.*

As there were difficulties underlying representation on the basis of the regional groups proposed by the Government of India, some members objecting to their States being grouped with others with whom they shared no community of interests, the consensus of opinion was in favour of the revised formula proposed by Sir Liaqat Hyat Khan which would result in a Council of 25 *members.* Sir Akbar Hydari reiterated his preference for smaller numbers, believing that a smaller body would command greater respect owing to its being more select. In view, however, of the generality of opinion being in favour of a larger Council, Sir Akbar Hydari stated that he would report the majority's recommendations to his Government before committing himself to any definite agreement.

Quorum.

11. *The general sense of the Committee was against the formation at present of a Standing or Working Committee of the Council. At the same time, a provision to limit the quorum to* 10 *would meet all the ends in view. The Committee generally favoured this number as they were convinced that a larger figure would make the assembling and, therefore, the working of the Council difficult.*

Function.

12. *It was generally agreed that the Council should have for its main function the consideration of "matters of common concern," besides which, subjects not falling within that category could also be considered if referred to it by the proposed Council of Princes for opinion or report.*

Relations with States.

13. *It was agreed by all that the Council of Ministers should send its reports directly to all the States having representation, individual or grouped, in the Federal Legislature.*

Relations with Princes' Council.

14. Sir Liaqat Hyat Khan proposed in addition that a copy of its report should also be sent to the proposed Council of Princes for its information and for such instructions as it might choose to issue to the Ministers in the Council whose Rulers were members of the Council of Princes. He pointed out that connection with the proposed Council of Princes was necessary as the Council of Ministers would not have a locus standi *vis-a-vis* the Government of India with whom negotiations could only be taken up through the medium of the Princely body.

(*a*) Sir Akbar Hydari could not accept the view that the Council of Ministers would, if constituted, not be recognised by the Government of India for purposes of consultation on "matters of common concern."

(*b*) Sir Prabhashankar Pattani and Sir Manubhai Mehta urged that the Council of Princes should not be eliminated but should be a co-ordinating body of Princes which could consider for its own purposes the conclusions arrived at by the Ministers.

(*c*) Sir Akbar Hydari desired to make it clear that it was not intended to eliminate the Rulers, as all the Rulers would be kept directly informed of the proceedings which the attending Ministers would also report to their respective Rulers in whom alone the power to take action lay. The point under consideration was whether the discussion of identical questions by the Council of Princes would not lead to conflict of opinion in Federal and other "matters of common concern," which it was advisable to avoid. In view of the fact that the generality of members favoured

the proposal, he would, so long as the proposed Council of Princes was in no way connected with the Council of Ministers, personally have no objection to the procedure, but would prefer to reserve his opinion for the present.

(d) Mr. Rajagopalachari, Mr. Parameswaram Pillai and Mr. Kak also preferred to reserve their opinions as also Colonel Shivraj Singh.

Procedure.

15. It was agreed that the procedure of the Council of Ministers should be as follows:—

The Council should first discuss matters informally and arrive at tentative conclusions which it should circulate to all the States for ascertaining their views. After receiving the views of the States within a specified time, it should formulate its decisions and then submit them to all the States for such action as may be considered necessary by the States in respect of them. If necessary, the Council should also correspond or negotiate with the Political Department.

Chairmanship and Secretariat.

16. *It was decided that the chairmanship would go by rotation, it being considered advisable, in the interests of continuity in the initial stages, for the first Chairman to continue as Chairman for two years from the date of the creation of the Council of Ministers. The Secretariat would be maintained under him on lines he thought best. It was agreed that the first chairmanship should go to Sir Akbar Hydari, who expressed the readiness of His Exalted Highness the Nizam's Government to bear the expenses of the Secretariat during his term of office as Chairman.*

Council of Princes.

17. On the question of the proposed Council of Princes, Sir Akbar Hydari and Mr. Rajagopalachari indicated that no reorganisation of the Chamber of Princes would by itself induce either His Exalted Highness the Nizam of Hyderabad or His Highness the Maharaja of Mysore to participate in it and that, therefore, Hyderabad and Mysore were not interested directly in questions relating to the reorganisation of the Chamber as such. *While, therefore, Sir Akbar Hydari, Mr. Rajagopalachari, Mr. Parameswaram Pillai and Mr. Kak reserved their opinions on this subject, the remaining members favoured the formation of a Council of Princes on lines similar to the Council of Ministers, with the only difference that the Council of Princes would consist of 26 members, one seat being given also to Representative Members of the Chamber who would not be represented on the Council of Ministers.*

18. The following Communique was issued to the Press as a summary of the day's discussions:—

"In accordance with the resolution of the Conference held at Bombay in May last, an informal Committee of Ministers, consisting of Sir Akbar Hydari (Hyderabad), Mr. Rajagopalachari (Mysore), Mr. Kak (Kashmir), Colonel Shivraj Singh (Baroda), Sir Manubhai Mehta (Bikanir), Sir Liaqat Hyat Khan (Patiala), Mr. Abbasi (Bhopal), Sir Prabhashankar Pattani (Bhavnagar), Mr. Parameswaram Pillai (Travancore), Mr. Atal (Jaipur), Rai Bahadur

Surve (Kolhapur) and Mr. Panikkar, met to-day under the chairmanship of Sir Akbar Hydari in order to discuss (*a*) the methods of ensuring the active co-operation of the Indian States *inter se* and devising such schemes as may be considered desirable in order to improve the organization and working of the Chamber of Princes, as well as considering such other or additional proposals for enabling all the States to act together in regard to the problems affecting them; also (b) for considering the Report of the Joint Parliamentary Committee and formulating their recommendations.

"Only the first item was taken into consideration to-day. The Committee was of the view that a compact Council of Ministers was required in order to discuss "matters of common concern." It was agreed that the basis of selection should not be exclusively the Salute factor but should also include considerations of population and the Federal content of States. While some difference of opinion existed as regards the actual number, there was agreement on the point that as small a body as could be consistent with the principle of giving representation generally to the important interests concerned should be devised. The question of the functions of this Council, as well as the relation in which it would stand to the proposed Council of Princes, is still under consideration and, together with matters connected with the Joint Parliamentary Committee's Report, will be further explored at subsequent meetings of the Committee to-morrow and the day after."

BOMBAY,

Thursday, the 13th December, 1934.

The States' Ministers, with the addition of Rao Saheb Thombore who was co-opted, held a further informal meeting on Thursday, the 13th December, 1934, under the chairmanship of Sir Akbar Hydari.

1. On the suggestion of the Chairman, the Committee resolved that the authorities of the Imperial Bank should be thanked for the facilities afforded for holding the meetings in the Bank's Board Room.*

*Annexure D.

2. In view of the fact that final consideration could in no case be given to the proposals pending the appearance of the Bill, it was agreed that the Committee should continue to function as at present until the proper completion of its labours in respect of clause (*b*) of the resolution of the Bombay Conference.

3. It was accordingly agreed that the Committee should next meet in Delhi some time between the 15th and the 24th January, 1935, in order to continue its discussions on the constitutional proposals.

4. It was agreed that as the present Committee had been brought into being by the Conference convened in Bombay in May

last on the initiative of His Highness the Nawab of Bhopal, the Chairman should report the results of the Committee's deliberations to him for such action as he might deem suitable. The Secretary was accordingly requested to submit a detailed Report of the proceedings by the following day in order that the approval of the Committee might be obtained before it dispersed.

5. Mr. Panikkar proposed that in place of Sir Govind Madgaokar, who had retired from Indore service, Mr. Bapna of Indore should be invited to join the Committee. The Committee agreed to this suggestion.

II

6. The Committee then proceeded to consider the Joint Select Committee's Report.

Sir Manubhai Mehta's articles (published recently in the *Times of India*), expressing his views on the Joint Select Committee's Report, were circulated.

7. Sir Manubhai Mehta explained that he was generally for accepting the Report, provided such omissions from it as the declaration of the inviolability of Treaties were included in the Constitution Act or the Instrument of Accession; in the same manner, Paramountcy should be defined and the Princes should be able to have recourse to the Federal Court for adjudication of such justiciable issues as water rights, etc.

Appellate jurisdiction of Federal Court in interpretation of Federal Laws.

8. The question of the Federal Court was first discussed. Sir Manubhai Mehta explained that the Joint Select Committee's proposals gave to the Federal Court appellate jurisdiction over the State Courts in respect of questions arising from Federal laws. This was in addition to the appellate jurisdiction already given by the White Paper in respect of the interpretation of the Constitution Act.*

*Vide para 325.

(*a*) Sir Liaqat Hyat Khan opined that this change would make the State Courts subordinate, so far as matters arising from Federal laws were concerned, to the Federal Court.

(*b*) Mr. Rajagopalachari thought that however odious this might be, the substance of administrative independence was not lost thereby and that a similar supervision was provided in the case of Income-tax, etc.

(*c*) Mr. Panikkar said that the appellate jurisdiction thus recommended for cession to the Federal Court in respect of matters relating to Federal laws would make the State Courts liable to strictures by the Federal Court, while the latter could also call for an examination of their records. The comparison with technical departments such as Income-tax was not apt as no such passing of strictures or insistence on revision of judgment was involved. He further stated that the procedure of appeal "by case stated" would require much greater definition. The Court of the Case Stated in England, which was set up before the Court of Criminal Appeals was established, became a very effective appellate court and, in view of the persistence of this tradition in British Legal History, it was likely that the procedure thereby evolved and not the procedure in regard to Revenue courts and Income-tax would be applied in India unless the implications of this method were clearly defined.

(*d*) Mr. Parameswaram Pillai was inclined to think that the appellate jurisdiction granted was an encroachment on the sovereign rights of the States who might, therefore, possibly object to the extension proposed by the Joint Select Committee. He, however, thought that there was no objection to the Federal Court exercising an appellate jurisdiction in matters arising only from the Constitution Act.

Sir Liaqat Hayat Khan here explained that the views of the Chamber were identical.

(*e*) Sir Akbar Hydari opined that the States had agreed to federate for Legislation and that the proposed appellate jurisdiction, exercised by the Federal Court, might be contended as coming as much within the sphere of Legislation, if in the form of Case-Law, as in the case of Statute-Law which was being conceded to the States.

(*f*) Pandit Amarnath Atal held that the question of the Federal Court was of a highly technical nature and suggested that expert legal opinion should be obtained. The question might then be considered by a Sub-Committee of such members as had the requisite knowledge of Law.

The general sense of the Committee was for further expert examination of the change, with its implications, embodied in the Report in this respect.

Mode of Accession.

9. Questions pertaining to the mode of Accession were then taken up for discussion. It was unanimously agreed that

(*a*) *the Constitution Act and the Instrument of Accession should be such and so worded as to clearly indicate that the residuary powers regarding Federal Heads remained with the States who, by virtue of these documents, were making over of their own accord certain specified powers to the Crown for delegation to the Federal Authority;* and that,

(*b*) *as, particularly owing to the above reason, the drafting of the Instrument had to be carefully considered, the draft of the Instrument of Accession should be shown to the States before finally adopting any particular form.*

Land Customs.

10. *The Committee was also unanimously of opinion that the pressure by the Governor-General, suggested in connection with the subject of Land Customs*, could not be accepted as any such pressure in relation to subjects to which the States had not acceded would be open to serious objection.*

*Vide para 264.

Maritime Customs.

11. *The representatives of the Maritime States desired it to be recorded that they took strong exception to the views propounded in the Report in respect of Maritime Customs**

*Vide Para. 265.

The "right to live."

12. *The Committee unanimously agreed that the implications of the States' "right to live" should be guaranteed by the Constitution Act itself and not relegated to the special powers of the Governor or the Governor-General.* The Committee was generally of the opinion that the term was best left undefined, though its interpretation should not be merely on the basis of "established rights" or tend to too narrow and legalistic an interpretation.*

*Vide Secretary of States' answer to Question No. 8669.

Activities of neighbouring Units.

13. Mr. Abbasi stated that there should be *adequate protection to Indian States Units against subversive public activities in the Provincial Units,* such as the Ahrar movement.

Mr. Panikkar emphasised that the Princes' Protection Act had proved of little assistance and suggested legislation on lines similar to that recently taken up by the League of Nations for the mutual protection of Rulers and Governments against subversive activities directed against them in other States.

Allocation of seats.

14. Some members of the Committee, namely, Sir Akbar Hydari, Mr. Rajagopalachari, Mr. Parameswaram Pillai and Rao Sahib Thombore, expressed strong dissatisfaction with the proposed allocation of seats to States in the Central Legislature on the ground that adequate regard had not been paid to the importance, extent and population of the States they represented. Pandit Amarnath Atal stated that, as the matter had been under discussion for several years and no alternative scheme commanding any wider acceptance had been put forward, the decision was best left to the discretion of His Majesty's Government, as in the case of the Communal Award. Sir Liaqat Hyat Khan, Sir Manubhai Mehta, Mr. Abbasi, Mr. Panikkar, Rai Bahadur Surve, Colonel Shivraj Singh and Mr. Kak supported Pandit Atal. Sir Akbar Hydari also agreed with Pandit Atal that His Majesty's Government alone could finally decide this question, but stated that individual States having grievances on this subject could no doubt represent them to His Majesty's Government for such suitable modifications as might give them more adequate and equitable representation.

Federal Finance.

15. The recommendations of the Report in respect of Federal Finance were then generally considered.

(*a*) Mr. Rajagopalachari stated that joining the Federation should not involve surrender of any revenues that a State was getting at the time of accession and on which its budgetary equilibrium rested. There should be equality of sacrifice as between the different Units, but his contention was that, while the Provinces would get all the gifts from Central revenues, certain States at least would have to undergo more sacrifice than they should be properly called upon to bear. He illustrated this with reference to Excise duties, Corporation tax, cost of Military, etc. In the case of Excise and Corporation tax, the Provinces were not now getting them and so they would not be losers but would gain under the proposals by subventions and shares of Export duties, etc. Mysore was now getting a large amount under the progressive heads of Excise on sugar and matches and Corporation tax. Again, as regards Mysore's expenditure, she spent a large amount for which proper credit was not given. There was, of course, the question of the Mysore Subsidy about which the Report was not satisfactory. Some method should be devised whereby the existing revenues, on which the financial stability of the States depended, must be reserved to the States at the time of entering the Federation. This was a matter of common concern to many States and it was desirable to see that no undue sacrifice of revenues was expected from the States.

(*b*) Rai Bahadur Surve expressed himself against the financial proposals, particularly with regard to Excise duties, as, in Kolhapur, the Excise duties on matches and sugar and the Corporation tax fetched about 5 lakhs of revenues, and the State had besides to contribute to the expenses of the Kolhapur Residency. He stated that, although the White Paper recognised the injustice

of Kolhapur being made to pay for the maintenance of the Residency, the Joint Select Committee's Report was silent on the point.

(*c*) Mr. Parameswaram Pillai stated that what applied to Mysore was also applicable to Travancore, only with greater force. Travancore's revenues, from such heads as Customs and tobacco, amounted to about 120 lakhs, which formed 50 per cent of the total revenues of the State. In addition, the extent of fresh burdens that might be imposed was yet unknown. This was not so much a question of making a case for special immunities as one concerning the sovereign rights and obligations inherent in the Treaties which had to be safeguarded. The provisions in respect of internal water-ways would seriously affect Travancore, while the right to declare a port a major port and the provisions relating to Shipping and Navigation would also seriously affect the coastal trade of the State.

(*d*) Rao Saheb Thombore stated that, with regard to Military expenditure, some States would be making double payment, in the form of customs duties and contributions in cash, men or ceded territories and by way of fresh burdens to be imposed. Contributions to the Federal fisc should not be such as to hold up the development of States owing to lack of financial provisions. He urged that these contributions should be on an equitable basis.

(*e*) Mr. Kak said that, in view of the importance of Customs and the Corporation tax in Kashmir's fiscal system, his views on the subject were so defined as not to allow of any modification.

(*f*) Mr. Abbasi associated himself with Mr. Kak.

(*g*) Sir Prabhashankar Pattani said that Treaty rights should be respected. He feared that refusal to pay Federal taxes beyond certain specified items would not hold water as he could not conceive of Federation coming about without being followed by financial burdens. Rigid specifications might hold good for the time being but he was sure that, with the progress of time, additional sources would have to be tapped. He was, however, certain that States could not stand out and would sooner or later have to federate; as such, he would prefer to federate voluntarily rather than be forced to it later by circumstances. But the financial aspect of Federation was of vital importance and required consideration in order that burdens should not be indefinite. He urged that contributions to the Federal fisc should be on an equitable basis.

(*h*) Pandit Amarnath Atal agreed with Sir Prabhashankar Pattani that all the States would sooner or later have to enter Federation. He considered that the States would not lose anything by joining the Federation so long as care was taken now not to commit them financially or otherwise to obligations the extent of which was unknown. The contribution of States to the Federal fisc should be equitable and he suggested that it should be in accordance with the measure of representation granted to the States in the Federal Legislature. There had been anxiety on the part of States to gain increased representation in the Legislature but, when it came to a proportionate increase in contributions, they did not wish to shoulder the burden.

(*i*) Sir Manubhai Mehta doubted if contributions in cases of emergency could be left to the voluntary discretion of the States as in the past, as, for purposes of framing the provisions of the Federal budget, it was necessary to know beforehand the extent of the contributions; hence, the fixation of heads was necessary.

(*j*) Mr. Abbasi objected to the continuance of British Indian legislation, specially in fiscal matters, in ceded areas and urged a detailed examination of the question. He was opposed also to direct taxation in any form, such as the Corporation tax. Mr. Panikkar, however, explained that this was left to the option of the States. Mr. Abbasi further urged that financial responsibility at the Centre should be insisted upon before acceding to Federation. He also did not see why the question of the States' contribution to federal revenues should be under the control of Parliament.* He further urged that the Federal budget should be balanced before the States acceded.

*Vide para 378.

Sir Akbar Hydari stated that, as a result of his own careful scrutiny and upon the advice of financial experts well qualified to speak, he was satisfied that the financial proposals of the Report embodied all the safeguards necessary in the interests of the States. He read out the Statement* he had made on behalf of the Indian States Delegation before the Joint Select Committee and explained that all the three conditions adumbrated in that statement had been accepted* No more stringent conditions could be imposed upon any Federal Constitution and most of the points urged against the financial aspects of the scheme had been met by the Report. Mr. Panikkar admitted that the gain was a great achievement and *the general sense of the House was in favour of accepting the financial proposals subject to the conditions mentioned in the Hydari Statement, one of which was the settlement of pending questions relating to individual States with the States concerned.*

*Annexure E.

*Para 250.

Federal Heads.

16. *It was unanimously agreed that the examination of the list of Federal Heads was vital but that it could only be done after the appearance of the Bill which would have to be carefully considered clause by clause as a great deal depended upon drafting.*

"Viceroy" and "Governor-General.'

17. Some members stated that *the distinction between the "Viceroy" and the Governor-General"* had been blurred and should be made more clear.

Changes in the Constitution Act.

18. Mr. Abbasi opined that, from the point of view of the States, it would be dangerous to give *the power of legislative changes* to Parliament, but Mr. Panikkar explained that the States' accession was governed solely by the Instrument which, it was admitted, could not be altered except with the consent of the Rulers.

Retrocession of Railway Jurisdiction.

19. *It was unanimously agreed that the retrocession of Railway jurisdiction to the States should be pressed as the matter involved a cardinal principle.*

Conclusion.

20. Sir Akbar Hydari, by way of summing up the general sense of the Committee's views in respect of the Report, stated that *the Report constituted an advance on the White Paper scheme from the States' point of view and should, subject to the*

embodying of the States' demands in respect of the mode of transfer of Federal powers, Railway jurisdiction, justiciable rights and appeals from State Courts to the Federal Court in matters arising from Federal laws, be recognised as acceptable. Much depended, however, upon the drafting of the Bill itself and the Instrument of Accession, which alone would present the completed picture necessary for the final determination of the intentions of the States in respect of Federation. It was imperative, therefore, that the Bill should be subjected to careful and detailed scrutiny after its appearance.

21. At the end of the day's deliberations, the following Communique was issued for public information:—

> " To-day's session of the informal Committee of Ministers, under the chairmanship of Sir Akbar Hydari, was devoted exclusively to questions relating to the Joint Select Committee's Report. The discussions related to the recommendations affecting the States, such as those in respect of the Federal Court, the List of Federal Heads, and the mode of Accession, the Financial provisions having been also examined in the light of the Hydari statement on behalf of the Indian States' Delegation before the Joint Select Committee.
>
> " The Report, embodying the final conclusions arrived at by the Committee at its present session, will be considered to-morrow.
>
> " The programme of future work was discussed and, in view of the short interval between the appearance of the Report and the present meeting, it was decided to meet again some time in January in Delhi in order to give more detailed consideration to the questions arising from the Report."

BOMBAY,

Friday, the 14*th December*, 1934.

1. The Committee met on Friday the 14th December, 1934, to consider the draft Report of the proceedings prepared by the Secretary.

2. After some amendments, the draft was approved and the Secretary was instructed to circulate copies as early as possible to the members.

3. The following Communique was issued to the Press by approval of the Committee:—

> " The Committee to-day completed their Report in which they have suggested the lines on which a Council of Ministers and a Council of Princes should be formed and the conditions to ensure their successful working.

"On the subject of the Joint Select Committee's Report, they have expressed the view that the Report constitutes in many ways an advance on the White Paper proposals from the States' point of view, particularly as far as the financial provisions are concerned, and that, in general, the recommendations should prove acceptable to the States, subject to certain important reservations. It is assumed, however, that no final opinion can be formed nor the States' attitude finally determined until the completion of the picture in the shape of the Bill."

4. Sir Manubhai Mehta, seconded by Mr. Panikkar, proposed a vote of thanks to the Chairman for his able guidance in the formulation of opinions on the subjects discussed. Sir Akbar Hydari, in reply, hoped that, through the proposed Council of Ministers, they would be able to usher in a new era of co-operation among the States, the value of which would soon be realised.

5. The Committee desired to place on record their deep appreciation of the loyal and efficient services of the Secretariat so ably directed by Mirza Ali Yar Khan.

A. HYDARI.
Chairman.

A. Abbasi.
Amarnath Atal.
R. C. Kak.
Liaqat Hyat.
Manubhai N. Mehta.
K. M. Panikkar.
P. D. Pattani.
Parameswaram Pilla
S. P. Rajagopalachar
Shivraj Singh.
D. A. Surve.

Mirza Ali Yar Khan.
Secretary.

Note:—

A letter from Sir T. V. Krishnamachari, dated the 8th December, 1934, is enclosed as Annexure F for information of Hon'ble Members. The letter was received too late for submission to the Committee during the session.

Mirza Ali Yar Khan.

Secretary.

ANNEXURE A

Personal.

LALLGARH,
BIKANER,
RAJPUTAN.

$\frac{24th}{26th}$ *November*, 1934

MY DEAR HYDARI,

Just a line to send you my best wishes for a successful session of your Committee, which I am glad is to meet, I gather, on the 12th December in Bombay, and to express the hope that its labours, under your able Presidentship and guidance, will contribute to the lasting benefit of the Princes and States, and that something will be devised to re-organise and strengthen the Chamber of Princes, and thereby to bring about greater unity so essential amongst the Princes and States, and, at the same time, to secure the active co-operation of several of the larger States, who have so far held out, or are of late showing a tendency to keep aloof from its activities.

Yours very sincerely,

(Sd.) GANGA SINGH.

Reply to above :—

HYDERABAD-DECCAN,

No. X/33.

20th December, 1934.

YOUR HIGHNESS,

I have been desired by my colleagues on the Committee of Ministers which met recently at Bombay to write and thank Your Highness for your gracious message of the 26th November, 1934. The Committee hoped that with your good wishes they would be able to achieve without much difficulty the objects with which they met.

Through Sir Manubhai Mehta, Your Highness must already have been informed of the results of the Bombay meeting.

With respects,

Yours very sincerely,

(Sd.) A. HYDARI.

ANNEXURE B.

M. RAMACHANDRA RAO, B.A., B.L.,
RETIRED JUDGE,
High Court of Mysore.

Vth ROAD, CHAMARAJPET,
BANGALORE CITY.
Dated 9th December, 1934.

DEAR SIR,

I have published an open letter to the Indian Princes and the subjects of the Indian States just on the eve of the Conference of the Prime Ministers of all the Indian States which is announced to be held from the 12th instant under your distinguished presidency and have much pleasure in forwarding to you by a separate packet twenty copies, one of them intended for favour of your kind perusal and the rest for favour of very kind distribution among the members who will represent the States at the Conference. I would not have ventured to trouble you in this matter in the midst of momentous and necessarily very heavy work before you, but for the fact that the names and addresses of the members likely to attend the Conference were not available to me in spite of some special attempts made for the purpose. I only hope that under the circumstances you will kindly overlook the trouble.

With kind regards,

Yours sincerely,
(Sd.) M. RAMACHANDRA RAO.

SIR AKBAR HYDARI,
PRESIDENT,
INDIAN STATES' MINISTERS' CONFERENCE,
Imperial Bank Buildings,
Fort, BOMBAY

Reply to above : —

INFORMATION BUREAU,
HYDERABAD-DECCAN,
20-12-1934.

No. *X*/34.

DEAR SIR,

In reply to your kind letter, dated the 9th instant, addressed to Sir Akbar Hydari, I am desired to inform you that, according to your request, copies of your open letter were distributed to the Members of the Committee of Ministers in Bombay.

Yours truly,
Mirza Ali Yar Khan,
Secretary to Committee.

ANNEXURE C

Copy of Telegram dated the 10th June, 1934, received from the Raja of Sangli.

SANGLI

SIR AKBAR HYDARI,
FINANCE MINISTER AND PRESIDENT,
MINISTERS' COMMITTEE,
Hyderabad-Decc

May I request you kindly consider my Political Minister Raosaheb Thombore's co-option in Ministers' Committee meeting Bombay twelfth instant shall greatly appreciate your favourable consideration in view of momentous issues involved.

RAJA.

Reply to above :—

EXPRESS.

TELEGRAM.

BOMBAY,
12th December, 1934.

HIS HIGHNESS RAJA OF SANGLI,
Sangli.

Your kind wire [STOP] Committee of Ministers would welcome co-opting Minister Rao Saheb Thombore at this session particularly as he took part in the constitutional discussions in London [STOP] Meeting will last till 14th December.

HYDARI

ANNEXURE D.

FINANCE MEMBER,
14-12-1934.

MY DEAR MR. RIDLAND,

I am desired by the Committee of Ministers who had assembled at Bombay to convey to you and through you to the Managing Governors of the Imperial Bank of India their thanks for your kindness in placing the Board Room of the Bank at the disposal of the Committee for holding its several meetings.

I should like to add to this request my own thanks for your kindness in providing every facility for holding our meetings.

Yours sincerely,

(Sd.) A. HYDARI.

ANNEXURE E.

SIR AKBAR HYDARI'S STATEMENT.

MINUTES OF EVIDENCE QY. 8023.

8023. The statement which I am authorised to make on behalf of the Indian States' Delegation is as follows : If (as had emerged from the figures in the Hailey Memorandum) at the time of the date of the passing of the Constitution Act, the British-India Budget, Central and Provincial, as a whole, including the Budgets of deficit Provinces was a balanced one, the Indian States could immediately enter the Federation on the basis of the *status quo*, as then existing, so far as Finance was concerned. Secondly, that the White Paper proposals concerned may be accepted, provided that (*a*) the prescribed percentage to be retained by the Federation under paragraph 139 of the Proposals is not less than 50 per cent. ; and (*b*) that it is understood that the White Paper proposals in paragraph 139 empower the Governor-General, in his discretion, to suspend beyond the ten years reductions of assignments to Provinces, if he is of opinion that the continuance of the assignment would endanger the financial stability of the Federation. Thirdly, if at any time, even during the period of the first ten years the financial position becomes such that the Federal expenditure cannot be met from sources of Revenue permissible to the Federal Government, after all possible economies had been effected and the resources of indirect taxation open to the Federation exhausted, and the return of the Income Tax to the Provinces suspended, a state of emergency will be held to have come into being, when all Federal units will make contributions to the Federal Fisc on an equitable and prescribed basis. Pending questions relating to individual States should be settled as early as possible by negotiation with the States concerned.

ANNEXURE F.

GOVERNMENT OF BARODA,
BARODA HOUSE,
NEW DELHI,
8th December, 1934.

MY DEAR SIR AKBAR,

Many thanks for your telegram.

I am sorry that as I have an important meeting with the Finance Member here on the 12th, I shall be unable to attend the Bombay meeting. I am deputing Col. Shivraj Singh our Naib Dewan to represent me there.

On the future constitution of the Chamber of Princes I am prepared to accept in essentials the scheme sent to you by the Nawab Saheb of Bhopal.

As regards the Joint Parliamentary Committee's Report I think inasmuch as it has improved the position of the States from what it was in the White Paper the States should welcome it and express their gratification.

I know that a fresh declaration as to the sanctity of the treaties is considered essential, but this should be done not in the Government of India Act but in an independent proclamation issued at the time of the setting up of the federal constitution or in some other manner which may be agreed upon.

With kind regards,

I am,
Yours sincerely,

(Sd.) V. T. KRISHNAMACHARI.

NAWAB
SIR AKBAR HYDARI, *Kt.*,
FINANCE MEMBER,
Hyderabad-Deccan.

No. X/36.

FINANCE MEMBER,
Hyderabad-Deccan.
20th, December, 1934.

Your Highness,

The Committee of Ministers met at Bombay on the 12th, 13th and 14th December with the two objects prescribed by the Bombay Conference convened on Your Highness' personal initiative in May last, and I have now great pleasure in submitting to Your Highness a detailed Report of the proceedings of this Committee as approved by it.

As recorded in para. (4) of the proceedings of the 13th instant, the Committee was of opinion that, deriving as it did its existence and authority from the Conference convened by Your Highness, it was but proper that this Report should be submitted to Your Highness so that you may take any action considered necessary for giving its recommendations effect.

1. Your Highness will observe from a perusal of the enclosed Report that the Committee was unanimous in endorsing the need for a Council of Ministers. As regards the size and composition of this Council, a large majority favoured a Council of 25, composed on the basis of individual seats to States enjoying individual representation in both the Houses of the Federal Legislature and possessing a population of 5 lakhs and over and a revenue of 50 lakhs and over, the 17 and 15-gun States not coming within this category to each elect one and two representatives respectively, while the 13-gun States and the 11 and 9-gun States would each elect one representative from their respective groups. Mr. Kak and myself, however, expressed our preference for smaller numbers as being necessary for making the Committee more select and ensuring its efficient working. It was generally agreed that the consideration of " matters of common concern " would form the chief function of the Committee, besides which it would also consider such other matters not falling within that category as might be referred to it by the proposed Council of Princes for opinion or report. The procedure suggested was that it should first discuss matters informally and circulate its tentative conclusions to all the States for ascertaining their views. Upon receipt of these within a specified time, it should formulate its decisions and submit them to the States for such action as might be deemed necessary. In cases where this was found necessary, the Council might also correspond or negotiate with the Political Department.

It was decided that the chairmanship of the Council should go by rotation, the first Chairman, in the interests of continuity in the initial stages, to retain his office for two years. The Committee did me the honour of selecting me as the first Chairman of the proposed Council. It was also decided that the Secretariat would be run under the direction of the Chairman in any manner thought fit by him.

It was decided by a majority that the reorganisation of the Chamber should be in the direction of a Council of Princes, composed on lines similar to the Council of Ministers, to act as a co-ordinating body with the latter. The Council of Princes would, however, consist of 26 members, one seat being given to Representative Members of the Chamber who have not been given any representation in the Council of Ministers.

Difference of opinion existed as regards some details, one such difference being already mentioned by me in connection with the question of numbers. Some members, besides, among whom I was again one, differed on the question of submitting reports of the Ministerial body to the Council of Princes, while some, namely, Mr. Kak, Mr. Rajagopalachari, Mr. Parameswaram Pillai and myself, stated that we were not interested in the question of the re-organisation of the Chamber as such. Because of these differences, some members have reserved their opinions for the present; however, I have no doubt but that in due course these differences will be composed in a manner conducive to securing the greatest common measure of agreement and a working and workable arrangement.

2. Your Highness will further observe that, while, in the course of our discussions on the subject of the Joint Select Committee's Report, many objections were raised by members to some aspects of the Report, the conclusion arrived at was that the Report constituted an advance on the White Paper proposals, particularly as regards finance. It may interest Your Highness to know that criticisms of this very aspect were, in the earlier stages of the discussion, more or less general. It was only when I pointed out that the three conditions put forward by me in my statement before the Joint Select Committee on behalf of the States' Delegation had been explicitly referred to and accepted in the Report that the Report was found acceptable. This acceptance, however, has been stated to be subject to certain important reservations which are given below and which the Committee took as representing the directions in which improvements and modifications were necessary before the Federal scheme as a whole could be considered satisfactory to the States:—

(*a*) the appellate jurisdiction given to the Federal Court in respect of matters arising from Federal laws;

(*b*) the mode of accession and transfer of Federal powers;

(*c*) the provisions regarding the retrocession of Railway jurisdiction, the Ministers believing that retrocession to the States formed a cardinal principle, and

(*d*) the question of justiciable issues, the Ministers agreeing that the States should have the right to have recourse to the Federal Court over justiciable issues such as water rights, etc.

Your Highness' attention may here be invited to the important Communique approved by the Committee and issued for public information on the last day of our deliberations.

In view of the fact that further consultations regarding the recommendations of the Joint Select Committee's Report are necessary and a detailed scrutiny of the Bill, as representing the completed picture, and particularly of the final draft of the List

of Federal subjects, is essential for determining with any degree of finality our attitude in regard to the vital question of the future constitution, the Ministers' Committee decided to continue to function as at present and to meet again in Delhi sometime in January. I shall inform Your Highness later of the date of this meeting.

While all the Ministers present or represented at the Committee meetings will no doubt ascertain from their respective Governments their views with regard to the different proposals embodied in the enclosed Report, the question of how to give effect to them, as also in what manner to ascertain the views of other States in respect of them, has been left entirely to Your Highness' discretion and I shall be glad to know what Your Highness finally proposes to do in this connection.

With respects,

Yours sincerely,
(Sd.) A. Hydari.

His Highness the Nawab of Bhopal,
Qasr-i-Sultani,
BHOPAL.